

# PERS NEWS

Volume I, 2015



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## 2015 Legislative Session ~ Final Report

There were several bills that were heard in the 2015 Legislative Session that could have affected PERS and the benefits we provide. The legislative session concluded on June 1, 2015 with five bills signed by the Governor that will have an impact on PERS. The most comprehensive bill that passed was Senate Bill 406. This bill only affects members newly hired on or after July 1, 2015. The components of this bill include: various changes for eligibility for retirement benefits for persons convicted of a felony; changes to retirement eligibility, purchase of service, service time multiplier, post retirement increases, and reportable salary. This bill also makes various changes to the Judicial Retirement System and the Legislators'

Retirement System. An additional benefit was also included with this bill for a surviving spouse of a police officer or firefighter killed in the line of duty or regular members killed in the course of their employment or killed in the course of judicial service or legislative service.

Senate Bill 406 adds clarifying language that the term "spouse" includes a domestic partner for purposes of eligibility for survivor benefits. It also removed the expiration date of certain provisions relating to retired public employees who return to work to fill positions for which there is a critical labor shortage. The differences in benefits based on your hire date are illustrated in the chart below.

Benefit Factors	Date of Hire Prior to January 1, 2010	Date of Hire On or after January 1, 2010	Date of Hire On or after July 1, 2015
<u>Benefit Eligibility</u>	<u>Regular Members</u> 5 years at age 65 10 years at age 60 30 years at any age <u>Police/Fire Members</u> 5 years at age 65 10 years at age 55 20 years at age 50 25 years at any age	<u>Regular Members</u> 5 years at age 65 10 years at age 62 30 years at any age <u>Police/Fire Members</u> 5 years at age 65 10 years at age 60 20 years at age 50 30 years at any age	<u>Regular Members</u> 5 years at age 65 10 years at age 62 30 years at age 55 33.3 years at any age <u>Police/Fire Members</u> 5 years at age 65 10 years at age 60 20 years at age 50
<u>Service Time Multiplier</u> 75% maximum benefit if hired on or after July 1, 1985	2.5% prior to July 1, 2001 2.67% after July 1, 2001	2.5%	2.25% for regular 2.5% for police and fire
<u>Purchase of Service</u>	May purchase up to 5 years once vested and counts towards eligibility		Purchase of service does not count toward eligibility unless family medical emergency
<u>Average Compensation</u>	Member's highest 36 month average	Member's highest 36 month average with provisions that each 12 month period of salary may not increase greater than 10% unless promotion or assignment related	

Benefit Factors	Date of Hire Prior to January 1, 2010	Date of Hire On or after January 1, 2010	Date of Hire On or after July 1, 2015
<a href="#">Early Retirement Reduction</a>	4% for each full year member is under full retirement age and prorated for each month	6% for each full year member is under full retirement age and prorated for each month	
<a href="#">Salary Cap reportable to PERS</a>	Federal limit	Federal limit	\$200,000/year
<a href="#">Post Retirement Increases</a> (Occasionally, post retirement increases are lower than the percentages listed because they are capped by the Consumer Price Index (All Items) average for the three preceding years.)	2% in each of the 4th, 5th, & 6th years of retirement 3% in each of the 7th, 8th, & 9th years, 3.5% in the 10th, 11th, and 12th years 4% in the 13th & 14th years, 5% every year thereafter	2% in the 4th, 5th, and 6th years of retirement 3% in the 7th, 8th, & 9th years 3.5% in the 10th, 11th, & 12th years, and 4% every year thereafter	2% in each of the 4th, 5th, & 6th years of retirement 2.5% in the 7th, 8th, and 9th years, and the lesser of the CPI cap or 3% every year thereafter

Senate Bill 406 also includes a reduced multiplier for newly hired judges (on or after July 1, 2015) in the Judicial Retirement System (3.1591%) and a provision for these judges to contribute 50% of the retirement contribution rate through payroll deduction.

Lastly, SB 406 includes a forfeiture of your retirement benefit (for new hires only) if the member is convicted of a felony involving:

- Accepting or giving, or offering to give, any bribe;
- Embezzlement of public money;
- Extortion or theft of public money;
- Perjury; or
- Conspiracy to commit any crime set forth in a - d

Assembly Bill 180 sponsored by Assemblyman Armstrong revises the provisions governing the frequency of selecting an audit firm to perform the biennial audits for the Public Employees' Retirement System. This bill requires the System to

select an audit firm every four years and prohibits PERS from selecting the same firm in consecutive periods. AB 180 was approved and signed by the Governor.

Senate Bill 12 was requested by the Public Employees' Retirement System. The bill eliminates the Assistant Investment Officer's job position title and changes it to Chief Financial Officer. This position is included in the executive staff division of the Retirement System. The bill was approved and signed by the Governor.

Senate Bill 69 sponsored by the Senate Committee on Finance revises provisions governing the Judicial Retirement System. This bill was approved and signed by the Governor.

Senate Bill 420 was requested by the Retirement Board through the budget process. This bill revises the provisions governing the executive staff of PERS and adds a General Counsel position. This bill was approved and signed by the Governor.

Two bills that were heard in the 2015 Legislative Session that would have had a major impact on PERS were Assembly Bill 3 and Assembly Bill 190. Both of these bills failed.

Assembly Bill 3 sponsored by Assemblyman Kirner would have changed the composition of the Retirement Board by adding three new members to the current seven member board. The bill was heard in the Assembly Committee on Government Affairs and received a tremendous amount of opposition. The Retirement Board was opposed to this bill. The bill failed to be voted out of committee.

Assembly Bill 190 was sponsored by Assemblyman Kirner and would have established a hybrid retirement program that consisted of a defined contribution plan and a defined benefit plan for all public employees hired on or after July 1, 2016. This bill was opposed by the Retirement Board and did not pass out of committee.

## Financial Year 2014 Annual Report

Each year the Public Employees' Retirement System of Nevada publishes an annual report, which is submitted to the Governor, members of the Nevada Legislature, public employers, and employee and employer associations. The report provides an overview of the financial, investment, and statistical information in a simple, easy to understand format. The following information is from

the Popular Annual Financial Report of the Retirement System.

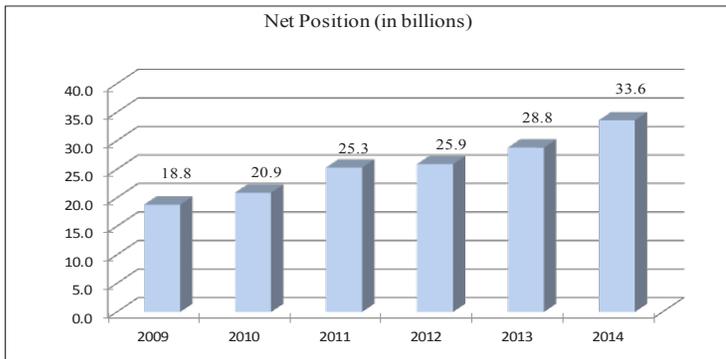
### Financial Highlights

PERS' net position (total assets less total liabilities) has increased by \$4.74 billion or 16.4% to \$33.58 billion as of June 30, 2014, as illustrated in the following chart. This is the fifth year in a row the System has increased its

net position. Contribution rates have remained fairly consistent during the negative market cycle. Although the System receives an annual actuarial valuation indicating the contribution rates required to fund the System on an actuarial reserve basis, contributions actually made are in accordance with the rates derived from the actuarial rates and then rounded according to statute.

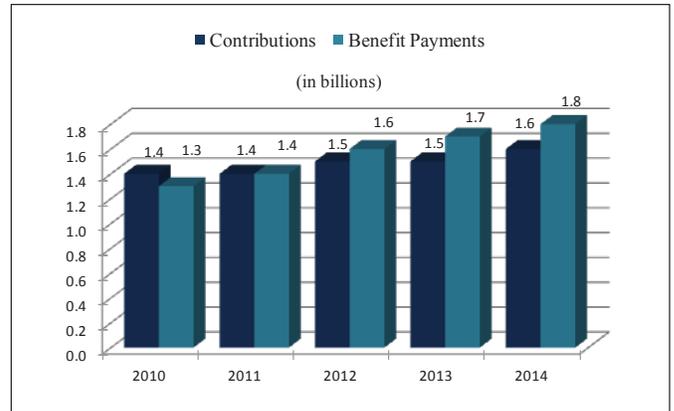
## Other financial highlights include:

- investment income was \$5.0 billion in fiscal year 2014, an increase from the \$3.2 billion income generated in fiscal year 2013;
- investments increased by \$4.9 billion or 17.2% to \$33.2 billion; and
- PERS' funded ratio increased to 71.5%, compared to a funding level of 69.3% as of June 30, 2013;
- PERS' investment return for fiscal year 2014 was 17.6%; and
- PERS' annualized rate of return is 9.8% since inception (30 years) versus our long-term actuarial funding objective of 8.0%.



## Contributions and benefit highlights include:

- total contributions for fiscal year 2014 increased by \$101.6 million or 7.0% to \$1.6 billion;
- benefit payments for fiscal year 2014 increased by \$135.9 million or 8.1% to \$1.8 billion; and
- refunds of contributions decreased by \$3.1 million or 11.8% to \$23.0 million. These items are shown in the chart below.



## Membership and Benefit Highlights:

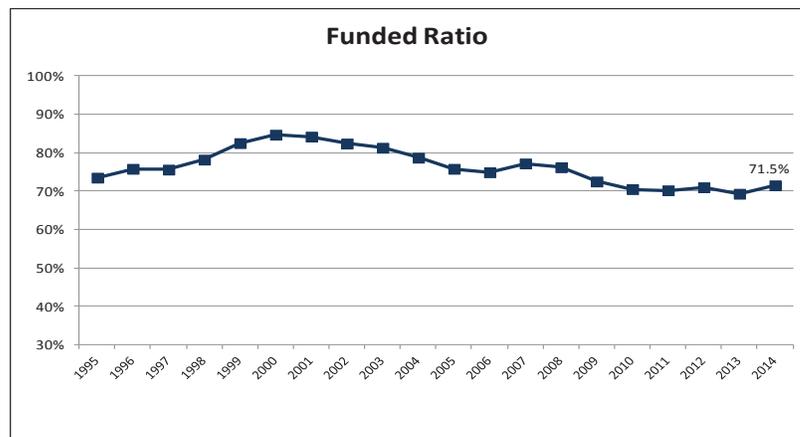
- The number of active members has increased by 1.5%;
- The increase in active members and total wages resulted in an increase in contributions of 7.0% from 2013 to 2014;
- Withdrawn contribution repayments and purchases of service decreased by \$3.7 million or 8.0% between 2013 and 2014;
- The slow economic recovery may have influenced the decrease in purchases and repayments experienced between fiscal years 2013 and 2014;
- Benefit payments rose 8.1% between 2013 and 2014; and
- As of June 30, 2014, there were 55,208 benefit recipients.

## Actuarial Highlights

One measure of a public pension fund's health is its actuarially funded status. To determine the funded status, we compare the assets available to the benefits we must pay. One factor to keep in mind is that all benefits the System is obligated to pay are not due and payable immediately. The System's funding objective is to pay long-term benefits through contributions (and investment return on such contributions) that remain relatively

level from year to year. In order to ensure responsible financing of future benefits, PERS is constantly evaluating the plan's assets relative to the value of its liabilities.

PERS' funded ratio increased to 71.5% as of June 30, 2014, compared to a funding ratio of 69.3% as of June 30, 2013. The funded ratio of PERS has been relatively stable during the volatile market cycle. Below is a chart showing the funding levels of PERS over the last two decades



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This publication is intended to provide general information. If there is any conflict between this information and Nevada law or PERS' policies, the laws and policies will supersede this information. *Retiree News* is a newsletter for retirees and benefit recipients of the Public Employees' Retirement System of Nevada. Comments or suggestions may be directed to: PERS, Newsletter, 693 W. Nye Lane, Carson City, Nevada 89703.



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## Disability Reemployment Requirements

Disability benefit recipients are prohibited from working in any capacity without prior Board approval. When approved for disability retirement benefits from PERS, the member is found to be disabled from performing the essential functions of their job or a comparable job for which they were qualified based on training and experience because of an injury or mental or physical illness of a permanent nature as certified by their physician(s).

Disability retirees must apply for and receive Board approval prior to returning to any type of employment, public or private, or the disability benefit will be suspended. In order to receive approval from the Board, the position in which the member wants to be reemployed must not be found to be comparable or similar to the position in which they were found to be disabled. Also, the position in which the member wants to be reemployed must be approved by a physician and be consistent with the physical/mental limitations imposed by their disability. Please contact the PERS office to request a Disability Reemployment Application Packet.

## Cancellation of Disability Benefit Guidelines:

In accordance with NRS 286.640, disability benefits must be canceled if the benefit recipient is no longer disabled and/or has returned to work without Board approval. The Board may, at any time, request a medical examination of a disability retiree at the system's expense. The benefit must be canceled if the disability retiree is determined by the Board to no longer be disabled.

If the disability benefit is canceled:

- All service credit is restored;
- Employee contributions, less 15% of the total of the disability benefits paid, shall be returned to your membership account;
- The benefit recipient may elect service retirement with an early retirement reduction or wait until age eligible; or,
- The benefit recipient may apply for a refund of unused contributions; or
- The benefit recipient may contribute to PERS again as a member if you are working in an eligible position and retire at a later date

The disability benefit may also be canceled when:

- The benefit recipient returns to employment with a Nevada public employer in a PERS eligible position;
- The benefit recipient returns to employment with a Nevada public employer in a non-PERS eligible position or independent contract without Board approval;
- The benefit recipient accepts private employment without Board approval; and
- The benefit recipient chooses to convert the disability retirement benefit to a service retirement.